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June 27, 2012

Douglas H. Shulman
Commissioner
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

Dear Commissioner Shulman:

This week, the Government Accountability Office (GAO) released a management report that found that the Internal Revenue Service (IRS) was not properly accounting for employee time or financial resources dedicated to implementing the "Patient Protection and Affordable Care Act" (PPACA) and the "Health Care and Education Reconciliation Act," which together comprise the Democrats' health care law. GAO concluded that the IRS, the lead agency implementing the health care law, "risks being unaware of the true cost of its PPACA activities." A second audit by the Treasury Inspector General for Tax Administration (TIGTA) found the IRS is ill-equipped to implement the law which TIGTA described as, "the largest set of tax law changes in more than 20 years." This is unacceptable and irresponsible.

According to TIGTA, the IRS has only estimated resource requirements for fiscal years 2012 and 2013, even though the provisions of the law that are most labor intensive do not take effect until 2014. In 2012, the IRS estimates it required 1,278 full-time employees (FTEs) and another 895 FTEs in fiscal year 2013. However, IRS's limited estimates are unreliable because they were not backed by any meaningful analysis or documentation. In fiscal year 2011, IRS required 582 FTEs to begin implementing the Democrats' health care law. Pursuant to TIGTA's findings this is certainly an underestimate because IRS failed to properly account for expenditures related to the law and instead absorbed an unknown amount of spending on the health care law into its normal budget. In short, the true cost of the law has been obscured.

GAO echoed the Inspector General's concerns, finding that the IRS did not have adequate processes in place to accurately review and account for the law's expenses. In one instance, GAO uncovered \$3.2 million in expenses that were not properly charged to the health care law. Of particular concern is the apparent cavalier attitude with which IRS responded to GAO's identification of these mismanaged expenditures: "When we brought these expenses to IRS's attention, *IRS officials informed us it would not have time to review them* and determine whether they could be charged to the PPACA appropriation before year-end, so they remained on IRS's books." (emphasis added)

Unfortunately, this is not the first time the Committee has expressed concerns about the IRS's accountability in implementing the health care law. On April 11, 2012, following reports that that the Obama Administration would give the IRS one-half billion dollars to implement the Democrats' health care law, Chairman Camp and Oversight Subcommittee Chairman Boustany requested a detailed accounting of the cost associated with hiring more IRS auditors, agents and workers to implement the Democrats' health care law. The letter stated:

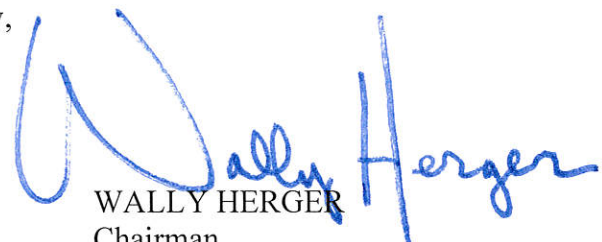
"[T]he nonpartisan Congressional Budget Office has warned that the IRS could need up to \$10 billion to implement the Democrats' health care law over the next decade. This expansion of the IRS' power and reach into Americans' daily lives includes the IRS verifying that you have acceptable health care coverage, penalizing you if you don't and increasing audits. The American people deserve to know how and why this one-half billion in taxpayer dollars are being spent, and how many additional IRS agents, auditors and other workers are being hired to enforce all the hundreds of billions of dollars in new taxes and penalties in the Democrats' health care law."


The Agency's repeated lack of transparency to Congress and its failure to provide accountability to the American taxpayers raises fundamental concerns about implementation authorities vested to the IRS.

Given the central role the IRS will play in collecting the law's over one-half trillion dollars in new taxes and the responsibility the agency will have for much of the \$1.8 trillion cost of the law, the Service must account for the cost of administering the Democrats' health care law. By July 10, 2012, please provide us with an accurate accounting for FY 2011 implementation expenditures and identify the funds that were not appropriately credited to the law by July 10, 2012. Moving forward, be advised that all spending related to the Democrats' health care law should be properly identified and accounted for in detail and ought not be included in IRS's general operations budget. Taxpayers deserve transparency from their government. Thank you in advance for your timely and comprehensive response.

Sincerely,


DAVE CAMP
Chairman


WALLY HERGER
Chairman
Subcommittee on Health


PAT TIBERI
Chairman
Subcommittee on Select Revenue Measures


CHARLES BOUSTANY Jr. M.D.
Chairman
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